

Three-tier Interview Results – Interviews through May 17, 2006-

This document represents Sterling Associates' interpretation of statements collected during stakeholder interviews. Statements represent the opinions of the interview participants, and have not been verified for accuracy or correct application of practice or law.

General themes/statements have been attributed to the groups/individual representatives included in the interviews/focus groups (see list on last page). They may or may not reflect the opinions of the majority of individuals comprising the entire population of those groups. Comprehensive surveys of opinions have not been conducted.

[NOTE: Numbers have been added for easier reference during discussions. They do not suggest priority or any particular order.]

Interview Questions

The following standard questions were used in each focus group to stimulate thought and guide the discussion.

1. What is your (or your organization's) involvement/role in the beer and wine sale and distribution system?
(Type of liquor license held, how long in business, location, small v. large, in-state v. out-of-state)
2. What are the strengths and weaknesses of the current system?
3. How does the current system constrain or assist your business?
4. What are the highest priority areas for change in the system? Why?
5. What improvements or solutions would you suggest?
6. Are there components of the system you feel should not be changed? Why?
7. Does your firm operate in other states? If yes, how does operating in Washington compare with other states?
8. Do you feel the three-tier system out-dated? If yes, why / how / and what suggestions do you have for alternatives?
9. What other issues should the Task Force be aware of during this review?

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- Key to interview participants: Generally if singular it is one person, if plural it was a group. WA wine producers (Washington wineries); CA wineries (California Wine Institute); specialty retailers (wine/beer shops); WA brewers (beer producers located in Washington); other brewers (out-of-state brewer representative); large retailers (grocery store chains or "big box" retailer); small retailers (convenience stores); wholesalers association (Washington Beer and Wine Wholesalers Association - distributors); independent wholesalers (not part of the Wholesalers Association); consumer (consumer representative); prevention/treatment (law enforcement, local government, state and community-based prevention or treatment); legislative staff (staff to legislators on Task Force); on-premises licensees (restaurants); sports/entertainment (sports and entertainment venues).

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Summary of Themes

In General Agreement

1. The state should regulate and enforce laws directly related to the misuse of alcohol and effective tax collection. All agree there should be strong enforcement of prohibitions on serving/selling to minors and over-serving/selling to inebriated individuals.
2. There were no suggestions that the state should not control distribution through licensing.
3. The state lacks sufficient resources to adequately enforce prohibitions on serving/selling to minors and over-serving/selling to inebriated individuals (and some included a lack of resources for compliance of trade practices as well.)
4. Distributors offer a valuable, efficient service to producers, retailers and the state, and they would continue to be heavily utilized for distribution without mandatory use or other rules/practices that force their use.
5. Current regulations are overly complex, hard to understand and prone to inconsistent interpretation. (wholesalers association are exception to this theme)

Major Themes with some contrary opinions

6. The state should control misuse of alcohol and tax collection, but should not regulate business practices that are not directly tied to those two objectives. (Exceptions: Wholesalers association, some treatment/prevention/law enforcement members, minority of small producers/retailers.)
7. The social, political and economic environment has changed substantially since the alcohol control laws were established. The regulations should reflect positive changes in education, attitudes and behaviors towards beer and wine, and should reflect the attitude of the legislature in supporting the Washington beer and wine industry. (Exceptions: treatment/prevention urges care in assuming permanent changes in attitudes and habits. Alcohol is still a controlled substance capable of creating harm to individuals and society.)

Contrasting themes

8. The system generally works. Use the current change mechanism when needed. It is dangerous to change regulations without knowing how the interrelationships among the rules will be affected or how they will affect outcomes (wholesalers association, minority of small retailers/producers, prevention/treatment).
9. Most business advantages in the current system (perceived as “leveling the playing field”) are out-weighted by the business constraints. The system needs to be dramatically changed, letting the market control the business aspects (that don’t contribute to misuse) rather than the state. (most large and small producers, most large and small retailers).

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Specific Items mentioned as candidates for change (in no particular order)

1. Mandatory use of distributors and regulations that effectively force their use
2. Provisions in 2SSB 6823 (required by the legislation for the Task Force to examine)
 - a. Self-distribution
 - b. Controls for tracking for tax purposes
3. Advertising regulations
4. Money's worth provisions / trade practices
5. Ownership interests related to producers and retailers
6. Anti-competition regulations (that could be handled instead through FTC)
7. Uniform pricing
8. Mandatory minimum 10% price mark-up
9. Price posting and hold
10. Retail to retail distribution
11. Quantity discounts
12. Foreign import distribution regulations
13. Return of damaged goods
14. Sampling in grocery stores and at on-premise licensee facilities
15. Delivered pricing requirement for distributors
16. Rules for LCB retailing
17. Central warehousing
18. COD requirement for retailers
19. Criteria for regulations
20. Criteria for interpretation of regulations
21. Priority of enforcement resources
22. Enforcement resources (lack thereof)
23. Paperwork
24. Impact measures (lack thereof)
25. General regulation language and relevancy
26. Dual nature of LCB (enforcement/control and retail/promotion)
27. Role of LCB in supporting state economic development

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STRENGTHS	WEAKNESSES	SUGGESTIONS FOR CHANGE
THE THREE TIER SYSTEM and GENERAL TIED HOUSE LAWS		
<ol style="list-style-type: none"> 1. There is more diversity of product in the beer and wine industry than any other. The current system has ensured this diversity. Other product lines do not have nearly the diversity (i.e. chips, or soda with several major brands, compared to thousands of wine brands). (wholesalers association) 2. The system today is generally good. It is orderly, fosters small business, and should remain intact. (small brewer; small wine producer; wholesalers association) 3. There may be some issues that need to be addressed, but should wait until the Costco suit is settled. It is premature to make major changes now. (wholesalers association) 4. The tied house laws have kept abuses (i.e., coercion of retailers by producers) and unfair trade practices in check. (Would not want to lose prohibition against direct tied house business relationships.) (LCB) 5. The fundamental separation of the manufacturing tier from the retail tier is important and must remain intact and regulated. Without this in place the state will end up with tied houses. Distributors also have a regulatory reason to exist. 	<ol style="list-style-type: none"> 1. It is difficult to know what has been prevented by having the system in place. Risk avoidance – what doesn't happen – is hard to measure when it is successful. (LCB) 2. Independence between manufacturers and distributors has diminished over time. (LCB; large retailers; WA wine producers; WA brewers) 3. Corporate structures and ownership arrangements have changed dramatically since the 1930s. The tied-house laws have not kept pace. Board members for owners of retail establishments and landlords have to sign a waiver that says they will open their financial books to the state. This is intrusive and unnecessary, and has led to absurd results (investigating the cross-ownership ties of individuals three layers removed from the investor.) There is no other type of investment that requires this level of scrutiny. (on-premises licensees; sports/entertainment) 4. Restrictions on monopolistic practices are still relevant today. However, the LCB does not need to have rules for this. The FTC is vigilant in reviewing mergers, etc. to ensure antitrust laws 	<ol style="list-style-type: none"> 1. Revise ownership interest rules to bring more in-line with modern business structures/organizations. (on-premises licensees; sports/entertainment) 2. Allow FTC regulations to control business practices related to preventing monopolies and non-competitive practices. (large retailers; on-premises licensees) 3. Limit controls to misuse of alcohol, not restraints on free trade. (large retailers; WA wine producers; WA brewer; specialty retailers; on-premises licensees) 4. Revise rules that require or have the effect of requiring use of distributors. (WA wine producers; WA brewers; large retailers; specialty retailers; CA wineries) 5. Revise money's worth regulations to be more reasonable and enforceable. (specialty retailers, WA wine producers, WA breweries) 6. Adopt regulations to support the modern market place, while still controlling the product against misuse and for tax collection. Don't create false barriers. (CA wineries)

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<p>However, making the use of the distribution tier voluntary will force distributors to bring more value to the supply line. (WA brewers)</p> <p>6. Mandatory use of distributors has positive effects in ensuring compliance with regulations for prohibited practices and quality control. (wholesalers association; LCB; law enforcement)</p> <p>7. Mandatory use of distributors ensures small retailers and producers will have a means to receive and distribute product. Without mandatory use of distributors, small retailers may not be able to get product or distribution may be more expensive, but distributors will still be in business because it is the most efficient and cost-effective means of distribution. (wholesalers association; specialty retailer)</p> <p>8. Distributor tier aids the small retailer because the small retailer does not have sufficient staff to interact with each winery individually, and even if they could the wineries would not be interested in dealing directly with each small retailer. (specialty retailer)</p> <p>9. The distributor tier handles most tax collection. There would likely be an increased cost to the state to collect taxes if distributors were no longer mandatory. (LCB; wholesalers)</p>	<p>are not violated in the market. (large retailers; on-premises licensees)</p> <p>5. The anticompetitive aspects of the three-tier system do not serve the consumer. Controls should be limited to the misuse of a controlled substance, but should not be tied to restraint of free trade. (large retailers; WA wine producers; specialty retailers; on-premises licensees)</p> <p>6. Mandatory use of distributors is not necessary. There will still be a significant demand for distributors of beer and wine. State law does not prohibit distributors from establishing minimum delivery amounts, so can already decide not to deliver to the small or remote retailer. Laws allow for delivery of product in quantities less than a full case. Small distributors will likely fill the niche for small retailers and producers who cannot compete for the attention of larger distributors. Distributors will probably continue to be more cost-effective for most suppliers/retailers, so there is no longer a need for state law to make the use of a distributor “mandatory.” (WA wine producers; WA brewers; large retailers; specialty retailers; CA wineries; <u>independent wholesalers</u>)</p> <p>7. Mandatory separation of the tiers is not necessary. The three tiers will continue to operate as tiers because that’s how</p>	<p>7. If restrictions are loosened on one aspect of the three-tier system (e.g., retailers are allowed to sell or distribute to other retailers) then tied-house restrictions on the distributor tier should also be loosened (e.g., allow distributors to sell directly to customer). (independent wholesalers)</p> <p>8. Any changes in the existing system need to be accompanied by strong enforcement. (independent wholesalers)</p> <p>9. Focus of the review should be whether the current system benefits the public related to reasonable prices, mitigating misuse and collecting tax revenue. The state should not be regulating to protect market share. (consumer)</p> <p>10. Need data to inform decisions; other states similar to WA and other statistics that can link controls (or lack of) to public benefit (or harm). (consumer)</p>
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<p>association)</p> <p>10. Today's system provides an efficient way to collect taxes. But there are other ways it can be done, as it is for other products. (on-premises licensees; WA wine producers)</p> <p>11. Distribution tier provides a local contact when an enforcement issue comes up involving an out-of-state producer. The local contact is the first line of enforcement. It provides a local point of contact for the LCB to start inquiries and enforcement activities. (other brewer; LCB)</p> <p>12. An "orderly market" includes a licensing system to provide a record of who is doing what. This aspect of the orderly market concept is good. (CA wineries)</p> <p>13. The "orderly market" concept is good for tracking product, knowing relationships among players, physical control, limiting bootlegging and product diversion outside of the system, limiting undue influence and special deals. (other brewer)</p>	<p>the industry is organized, even if there is not mandatory separation. (specialty retailers; WA brewers; large retailers; WA wine producers; <u>independent wholesalers</u>)</p> <p>8. Many of the Tied House laws are arcane and do not make sense today. Prohibition on "money's worth" is a catch-all for almost everything. Examples include prohibition on anything construed as joint advertising, winery representatives cannot pour their own wine at wine shops (even if the wine shop has purchased the wine); signatures on bottles, etc. (specialty retailers; WA wine producers)</p> <p>9. Many of the Tied House laws are not enforced, so the businesses that do abide by them are at a disadvantage with all those that don't. (specialty retailers; WA brewer; on-premises licensees)</p> <p>10. Distributors offer services that are very valuable to retailers and demand for these services will not go away, regardless of the regulatory system. But it should be the retailer's choice – a business decision based on market forces, not regulated by the state. (on-premises licensees; specialty retailers; WA wine producers; WA brewers; large retailers; <u>independent wholesalers</u>)</p> <p>11. The law protects distributors from</p>	
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	<p>competition. Somewhere, someone is getting rewarded for the status quo. (on-premises licensees)</p> <p>12. Tax collection will be in jeopardy with more direct shipping, especially out-of-state shipments. (wholesalers association)</p> <p>13. The current system assumes the biggest influence will come from the producer tier – as was the case when the laws were conceived. It does not address the growing economic power of the retail tier. (LCB; wholesalers association)</p> <p>14. It is no longer clear whether tied houses are even a problem in today's environment. Need to have someone explain why we shouldn't allow them. In England they have tied houses, but they also have free houses and they have thriving specialty wine shops. (WA brewer; independent wholesaler)</p>	
STATUTES AND RULES – GENERALLY		
<p>14. The current system of regulation is flexible and allows for evolution and adaptation to changes in the environment. A massive change is not necessary and is not desirable. (wholesalers association)</p> <p>15. Statutes and rules are not overly complicated. Distributors help retailers to navigate them. (wholesalers association)</p> <p>16. When known problems emerge, special</p>	<p>15. Statutes and rules have been repeatedly modified over time with changes and exceptions, and they are overly complex, too inflexible, hard to understand, impractical, and often irrelevant in today's environment. There are myriad bad rules and too many hoops to jump through. Very little about the rules is working well. There should be a complete rewrite. (WA wine</p>	<p>11. Start from scratch to review the entire set of rules and statutes and rules related to beer and wine and rewrite them. The Task Force should suggest criteria for the review and rewrite. (WA wine producers; large retailers; specialty retailers; legislator; legislative staff)</p> <p>12. Rules need to be greatly simplified. Regulatory scheme should generally</p>

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<p>rules are adopted to address them, i.e., the Alcohol Impact Areas. (prevention/treatment)</p> <p>17. Current rules allow monitoring of flow and volume of alcohol for efficient tax collection and controlled availability to discourage over-consumption. Efficient and effective tax collection provides funding to address education and health care. (LCB)</p> <p>18. The current system offers strong support for the prevention of alcohol abuse. The system is good, and it provides an open and active mechanism for input (the advisory board) and a dynamic, responsive process for addressing issues. The LCB is regulatory, but it also reinforces limiting underage drinking through its regulations, education and training. (prevention / treatment)</p> <p>19. Environmental influences (advertising, presence of alcohol, adult behavior, etc.) impact youth the most. The current regulations protect youth, to a certain extent, from over-exposure to alcohol, such as no samples in grocery stores where kids are regularly present with parents. (prevention/treatment)</p>	<p>producers; WA brewers; large retailers; legislative staff; specialty retailer)</p> <p>16. Too much cumbersome paperwork and regulations. The intent of most of the rules we can live with, but everything needs to be streamlined. We could also work with significant change. Just need to know what it is. (independent wholesalers)</p> <p>17. Too much unnecessary paperwork, including redundant processes with different rules between the federal government and the state, i.e., wine label approval. (WA wine producers)</p> <p>18. Complexity and exceptions create legal liabilities and make it difficult for the regulated industry and general public to understand and support the rules. (LCB)</p> <p>19. The interpretation of the rules is negative. Everything is prohibited, and allowed only by exception. It should be the other way around. The LCB staff should be supportive of industry (or at least neutral), not looking for ways to keep the industry from doing things. (WA wine producers; WA brewers; specialty retailers; on-premises licensees)</p> <p>20. The legislature has chipped away at the rules, undermining the integrity of the structure so it is hard to explain and defend. (LCB)</p> <p>21. The review of rules is important to stay</p>	<p>support the free market unless there is a harm to the public. (large retailers; WA wine producers; specialty retailers)</p> <p>13. Reduce regulations and paperwork. (WA wine producers; legislative staff)</p> <p>14. LCB needs to better articulate the reason (intent) of the rules it develops. (specialty retailer)</p> <p>15. Identify what is not practically enforceable or does not focus on misuse, and eliminate them. Don't waste time and effort on what is not important, i.e., signing wine bottles, pouring wine, live links on web pages. Focus resources on what is important – misuse of the product or true collusion activities. (specialty retailers, WA wine producers)</p> <p>16. Sampling in grocery stores and at on-premises licensee facilities should be allowed. (WA wine producers; large retailers; out-of-state brewers)</p> <p>17. The LCB should consider requiring retailers to separate the nonalcoholic beverages (hard lemonades, energy drinks, etc.) from the alcoholic beverages. The combining of the two tends to blur the lines between them and increases the opportunity for purchasing errors. (prevention/treatment)</p>
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	<p style="text-align: center;">\</p> <p>current and to ensure the rules support the current environment. The LCB has not reviewed the whole regulatory structure to assess its relevance in today's environment. This review is very important. (LCB)</p> <p>22. The state is unable to effectively articulate the reason for specific rules being in place. What are they trying to accomplish? (specialty retailer)</p> <p>23. LCB and distributors act in tandem. Laws should be designed to support the market not a particular segment of the market. For example, the self-distribution statute passed this session allows for self-distribution by out-of-state producers, but its rules around using a common carrier are written in a way that essentially forces the producer to still go through a distributor. (large retailers; WA wine producers; specialty retailers)</p> <p>24. Regulation because it's alcohol is fine. Regulation to restrain trade is not fine. (large retailers; WA wine producers; specialty retailers)</p> <p>25. The LCB does not allow sampling in grocery stores because kids can be there, but nothing prohibits kids from going into retail wine shops. Sampling at on-premises licensee facilities is also prohibited. (WA wine producers; large retailers; out-of-state brewers)</p>	<p>18. If the state is going to restrict the market it should focus on where abuse occurs, e.g., fortified wines. (independent wholesalers)</p>
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LCB IN THE BUSINESS OF SELLING BEER and WINE		
<p>20. The LCB retail business provides an outlet for some smaller wineries that would be hurt without it. (LCB; wine producer representative)</p> <p>21. State liquor stores do not represent significant competition to private sector retail since beer and wine are not a large part of their market share. (LCB)</p>	<p>26. The LCB does not follow its own rules. This creates a double standard. The LCB does not have to price post, pay at delivery, price according to the same standards, or buy product at the same price as everyone else. This means they can offer more competitive beer and wine prices, and they do not have the same burden everyone else has in complying with the process. (WA wine producers focus group; legislators; specialty retailers; large retailers; WA brewers; independent wholesalers)</p> <p>27. The LCB regularly sells wine at lower prices than other retailers. Yet they say lower prices encourage more consumption. These kinds of inconsistencies make it difficult to accept their justifications for some rules. They are in conflict with themselves. (WA wine producers; specialty retailers)</p>	<p>19. Let the private sector participants use the same processes for beer and wine pricing and sale that the LCB uses. The LCB should be following the same rules as everyone else, or should get out of the business. (WA wine producers; legislator; WA brewers; large retailers; specialty retailers.)</p> <p>20. The LCB should not be in the beer and wine retail business. (specialty retailers)</p>
LEVEL PLAYING FIELD CONCEPT		
<p>22. The level playing field strategy in pricing (ensuring that all retailers can purchase product at the same price) has enabled highly diverse, high quality beer and wine industries to thrive in Washington, by equalizing opportunities for small producers and retailers. It has possibly resulted in the unintended outcome of supporting economic development within</p>	<p>28. The level playing field strategy has supported industry growth and diversity in Washington, but it is time to allow for a free-market approach. Everyone needs to learn how to compete in the market. (WA wine producers; large retailer; legislators; specialty retailers; independent wholesalers)</p>	<p>21. Limit controls to misuse of alcohol, not restraints on free trade. (large retailers; WA wine producers; WA brewer; specialty retailers; on-premises licensees)</p> <p>22. Revise rules to what is actually practical to enforce with the resources available. If not able to enforce</p>

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<p>the state and promoting diversity in the industries. (WA wine producers [1 group])</p> <p>23. The level playing field strategy has allowed specialty retailers to thrive. Without it, small retailers would be out of business. (specialty retailer; legislator; wholesale association; independent wholesaler)</p> <p>24. It was easier to start a small business under current system. (specialty retailer)</p>	<p>29. The level playing field strategy has supported industry growth and diversity in Washington, but the regulations have gone too far. They are too restrictive, too inflexible. More free market influences should be allowed. (WA wine producers [1 group]; WA brewers; large retailers; specialty shops)</p> <p>30. Washington has the variety of product and vibrant craft beer and fine wine industry because of the quality of products and business acumen. The current regulations have not necessarily been the cause of diversity in the market. The notion of the level playing field helping small guys is a “red herring” from wholesalers lobby to discourage independent distributors and to scare small producers and retailers. (WA wine producers [1 group], specialty retailers)</p> <p>31. The playing field is not currently level. The LCB does not play by the rules – they have an advantage. Others circumvent the rules. Small players are competing already on an un-level playing field and managing fine. Give up the concept. (specialty retailers; WA brewer)</p>	<p>consistently, don't have a regulation that restricts business. (WA brewer; WA wine producers; specialty retailers; on-premises licensees)</p> <p>23. Market interference by the state needs to result in public benefit. (consumer)</p>
ENFORCEMENT		
<p>25. Enforcement and education are generally done well (though not enough resources). (large retailers;</p>	<p>32. The LCB gives inconsistent answers on the interpretation of rules and statutes. (WA wine producers; specialty retailers)</p>	<p>24. The “10-cents a drink” proposal could fund increased enforcement. (prevention/treatment member)</p>

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<p>prevention/treatment; WA wine producers)</p> <p>26. The current enforcement system facilitates efficient enforcement and detection of violations. (on-premises licensees)</p> <p>27. The state's current enforcement efforts support a perception of safety and control. (prevention/treatment)</p> <p>28. The LCB is generally helpful in providing advice to navigate through the system. (WA wine producers [1 group])</p> <p>29. The recent change in rules to allow internal stings for on-premises establishments is an indication of where the LCB has tried to help business owners comply with laws. This practice allows businesses to monitor their own staff to ensure they are following the rules correctly, without fear of repercussions. (on-premises licensees)</p> <p>30. Enforcement cannot be done with physical presence of enforcement officers alone. The regulations need to enforce the ultimate goals as well (i.e., pricing policies). (prevention/treatment member; wholesalers association)</p> <p>31. Distributors help enforce compliance of regulations. (wholesalers association)</p>	<p>33. LCB MIW compliance division seems to be there to hinder, not help. If they don't know the answer to a question, the default response is "you can't do it." The divisions within LCB are not always in agreement about the answers to questions or interpretation of the regulations/statutes. (WA wine producers)</p> <p>34. There is little proportionality in enforcement. Small infractions are treated as harshly as major infractions. Enforcement is still focused on issues that are no longer particularly relevant. (WA brewers)</p> <p>35. The state does not have sufficient resources to put the necessary number of enforcement officers in the field. The number of enforcement officers is particularly sparse in rural areas. (wholesalers association; prevention/treatment member; WA wine producers; specialty retailers; large retailers; independent wholesalers)</p> <p>36. The more regulations there are and the more complex, the more enforcement is needed. With limited resources, the state should focus on the controls that matter – misuse of alcohol. (WA wine producers, specialty retailers, on-premises licensees)</p> <p>37. The regulations currently in place are not vigorously enforced. There are many</p>	<p>25. Add significant resources for enforcement. (prevention/treatment)</p> <p>26. Focus on critical issues – misuse of the product. (WA wine producers, specialty retailers, on-premises licensees)</p> <p>27. Can always increase taxes to control prices which also increases revenue to the state. (prevention/treatment, large retailers, on-premises licensees)</p> <p>28. Develop criteria/lens for interpreting regulations. (other brewer; WA wine producers; specialty retailers)</p> <p>29. Expand enforcement of alcohol regulations on/near college campuses. (prevention/treatment)</p>
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	<p>businesses not playing by the rules. This creates an un-level playing field for the businesses that are trying to play by the rules. It would be better to have no regulation, than to have regulations that are not consistently enforced. (WA brewer; specialty retailer)</p> <p>38. Enforcement of underage drinking laws on college campuses is becoming too lax. Enforcement should be expanded in this area. (prevention / treatment)</p>	
SPECIFIC REGULATIONS – Ban on Quantity Discounts		
<p>32. Ban on quantity discounts assists small retailers to get the same price as large retailers and therefore levels the playing field. (specialty retailer)</p> <p>33. Quantity discounts may result in bulk buying of one brand, and therefore less diversity in the market. (wholesalers association)</p> <p>34. Ban on volume discounts levels the playing field. If this rule is eliminated, many small producers, some independent wholesalers and retailers would go out of business. Choice (diversity in product) is what the industry is all about and anything that reduces that is a detriment. (specialty retailer; some WA wine producers; WA brewers; some independent wholesalers)</p> <p>35. The current system with no quantity discounts works well. (wholesalers</p>	<p>39. Ban on quantity discounts is inequitable to the larger retailer and wouldn't necessarily hurt the specialty retailer. (large retailers; on-premises licensees; specialty retailer)</p> <p>40. The larger retailer is in essence subsidizing the smaller retailer by not allowing quantity discounts. It costs more to deliver two or three bottles to a small retailer. (large retailers; on-premises licensees)</p> <p>41. Volume discounts already exist, but they are masked. Workarounds have developed that have the same end result. Since they often already exist, just make it allowable. (specialty retailers)</p> <p>42. Specialty retailers will continue to exist regardless of opening up price restrictions. There is a different niche for</p>	<p>30. Producers should be able to negotiate prices and where they want their product sold. (WA wine producers; specialty retailers; on-premises licensees; independent wholesalers)</p> <p>31. Quantity discounts should be allowed. (large retailers; on-premises licensees; specialty retailers; WA wine producers; independent wholesalers)</p> <p>32. In one state they allow quantity discounts, but the discount must be the same to all retailers. That way the concept of fairness is intact, but the business impact is reduced. (WA brewer)</p>

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<p>association; independent wholesaler)</p>	<p>specialty retailers and diversity will continue to exist. (specialty retailers; WA wine producers; WA brewers; independent wholesalers)</p> <p>43. If quantity discounts are allowed, there will still need to be rules around what can and cannot be done. Will likely result in even more complexity to the system. (wholesalers association).</p>	
<p>SPECIFIC REGULATIONS – Pricing Policies (post & hold, uniform pricing, etc.)</p>		
<p>36. Price controls help regulate misuse of alcohol. (prevention/treatment)</p> <p>37. The current system works well and any changes should be made within the current mechanisms. (wholesalers association)</p> <p>38. Uniform pricing provides a level playing field for small retailers. Big box stores receive no price advantage. (specialty retailer; small wine supplier; WA brewers)</p> <p>39. Price posting provides useful market information to the supplier. (1 WA brewer; 1 specialty retailer)</p>	<p>44. Trying to link the rules between controlling prices with illegal sale or consumption of alcohol doesn't make sense. Price control is more of an economic development support to small producers and retailers. (legislator; specialty retailer; WA brewers; WA wine producers)</p> <p>45. Chronic inebriation is related to alcohol at the lowest end of the price scale. There are many ways to address this issue other than the mechanisms currently in place (for example, set a price floor.) (large retailers)</p> <p>46. Price posting is time-consuming and restrictive. Hard to change mistakes and penalties for inadvertent violations (i.e. errors in data entry) are overly harsh. (specialty shops; WA wine producers; WA brewers; large retailers)</p> <p>47. The rules around price posting and post-</p>	<p>33. Eliminate all pricing policies. (on-premises licensees; most WA wine producers)</p> <p>34. Eliminate price posting. (most WA wine producers; specialty retailers; large retailers; independent wholesalers)</p> <p>35. If price-posting is continued, make it more flexible and easy (for example, Oregon allows price posting for one day.) (WA wine producers; independent wholesalers)</p> <p>36. If the state believes that price influences consumption, it should raise taxes to increase the price of beer and wine. This would get to the same end of raising prices, but provides increased revenue to the state that could be used for education and enforcement, rather than increased revenue to the business. (large</p>

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	<p>and-hold rules make it difficult or impossible to take advantage of market conditions; they are too inflexible. Too long of a time period to post ahead. Restrictive to importers who are unwilling to deal with the “mess.” (WA wine producers; large retailers; specialty retailers; independent wholesalers)</p> <p>48. Nothing seems to be done with the information gathered in price posting. The state does not seem to use the information, and it provides no value to the industry. In today’s electronic age, we can capture prices we need electronically. (large retailers)</p> <p>49. Price posting is anticompetitive, antiquated and restricts business in being able to respond to market opportunities. It can take 60 to 90 days to respond to potential opportunities or to fix errors. (on-premises licensees; specialty retailers; large retailers; independent wholesalers)</p> <p>50. Price posting keeps quality products out of Washington because suppliers don’t want to go through the hassle of doing business here. (specialty retailers)</p> <p>51. The requirements that all entities are charged the same price for a product puts a greater burden on larger, more centrally located businesses to make up for the higher expense of providing product to smaller, more distant</p>	<p>retailers; WA brewers; independent wholesalers)</p> <p>37. In today’s environment, where markups are much higher than 10%, the minimum markup could be eliminated and there would be no impact. (large retailers, WA wine producers; WA brewers; wholesalers association; independent wholesalers)</p> <p>38. Pricing policies need to demonstrate the benefit to the public. (consumer)</p>
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	<p>businesses. Businesses should be allowed to negotiate their prices. (on-premises licensees)</p> <p>52. The minimum markup is no longer relevant. The markup is generally more than 10% anyway. (large retailers, WA wine producers; WA brewers; wholesalers association; CA wineries; independent wholesalers)</p> <p>53. Businesses should be allowed to negotiate their prices with their customers like any other industry. (independent wholesalers)</p>	
SPECIFIC REGULATIONS – Money’s Worth (including Ban on Joint Advertising)		
<p>40. Giving value to a retailer can influence the relationship. This ban should continue to avoid undue influence in a relationship. (WA brewers)</p> <p>41. There are no changes needed outside of the current mechanism. (wholesalers association)</p>	<p>54. Regulations against joint advertising are complex and can have conflicting and unreasonable results. (WA wine producers; WA brewers; on-premises licensees)</p> <p>55. Advertising rules in general are not completely meeting the needs of separating advertising to adults and advertising to underage drinkers, and other social marketing issues. (prevention/treatment)</p> <p>56. Money’s worth and advertising rules are violated daily, in part because there are insufficient resources devoted to enforcement; in part because the rules are complex and easy to violate inadvertently; and partly because</p>	<p>39. If the state is going to regulate, then enforce. But spend time on the rules that matter – that prevent misuse of alcohol, not the “silly” stuff. (specialty stores; WA wine producers)</p> <p>40. Joint and cooperative advertising should be allowed. (specialty retailers, WA wine producers; on-site premise licensees; sports/entertainment)</p> <p>41. State rules should not restrict advertising or “money’s worth” any more than the Federal regulations. (sports/entertainment)</p> <p>42. Allow practices that don’t do harm (misuse of product) and don’t allow any “other” money’s worth provisions</p>

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	<p>agency staff are unwilling to give opinions about whether a contemplated practice is a violation. (WA brewers; specialty retailers; WA wine producers)</p> <p>57. There is inconsistent application of regulations. Example: a producer can deliver a truckload of their product to the retailer – and that’s not “value add,” but the same producer cannot ship their product to the retailer with a common carrier because paying the shipping costs would be “value add” (or charging for shipping would then violate the posted price). (specialty retailers; on-premises licensees; WA wine producers)</p> <p>58. Sports and entertainment facilities are unique. They compete at a national level, and funding for the construction and operation of these facilities is complex. Regulations prohibiting joint advertising, particularly naming rights, are overly restrictive and detrimental to these facilities. Other states allow similar facilities to enter into these types of agreements and limits on Washington facilities places these facilities at a financial disadvantage. (sports/entertainment)</p> <p>59. Joint advertising rules are taken to an illogical extreme. A retailer can include on its web site information about a winery, but can’t include a live link. Another example: Wine makers can</p>	<p>(like okay to give away sporting event tickets or gift certificates) to bring it all above board. All part of negotiation on prices – not special deals in one hand to off-set the prohibition against price negotiations. (on-premises licensees)</p> <p>43. Ensure the impacts on youth, direct or indirect (environmental influences) are always considered when developing, changing, interpreting and enforcing regulations. (prevention/treatment)</p> <p>44. Conduct a survey of other states and what advertising and “money’s worth” practices are prohibited. (sports/entertainment)</p> <p>45. If rules are relaxed to allow the producer or distributor tier to assist in customer tastings, there may be a need to license that activity and provide training. (independent wholesalers)</p>
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	<p>\</p> <p>come to a wine tasting, but can't pour their own wine or sign the label because that would be considered "moneys' worth". (specialty retailers; WA wine producers)</p> <p>60. The prohibition on providing money or money's worth is not policed, and many are not complying with the laws. This creates an uneven playing field. (WA brewer; specialty retailers)</p> <p>61. Advertising generally impacts societal norms. If a child walks down the street and sees store windows covered in alcohol advertising, and beer and wine sold on every street corner, the child is socialized to believe that drinking is cool, or the thing to do. (prevention/ treatment)</p> <p>62. Wholesalers are "allowed" to provide limited services to grocers such as restocking shelves, but not allowed to provide services to specialty shop owners (such as pouring wine at tastings.) Small specialty retailers don't want the merchandising services, but they would like education and tasting help. The business entities should be able to provide services to their customers depending on what is needed. (independent wholesalers)</p>	
SPECIFIC REGULATIONS – Ban on Central Warehousing		
42. There are no changes needed outside of	63. The ban on central warehousing is an	46. Allow central warehousing. (large

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the current mechanism. (wholesalers association)	<p>obstacle to direct shipment. The fee structure of interstate commerce using a common carrier makes small deliveries cost prohibitive. So if a carrier has to deliver to every store, it is too expensive to do and the retailer has to use a distributor. If they could ship to a central warehouse, they could then use their own trucks to deliver out to individual stores. (large retailers; CA wineries)</p> <p>64. The prohibition on central warehousing serves to protect the distribution tier. If it were removed, the producer could deliver to a central warehouse and the retailer could do the work of the distributor using the margin that would have gone to the distributor. (WA brewer)</p> <p>65. Central warehousing would be more efficient for distributors, and better serves their clients. Removing this restriction would allow the market to determine what is the most efficient means of getting the product to the customer. (independent wholesalers)</p>	<p>retailers; WA brewers; CA wineries; independent wholesalers)</p> <p>47. Allowing central warehousing could assist in tax collection efforts associated with direct shipment since you could assume that taxation would occur at the first holder – the warehouse – rather than each individual store. (large retailer)</p>
SPECIFIC REGULATIONS – Cash on Delivery (COD)		
43. Requirement for COD for retailers is not necessarily bad. Helps some smaller retailers from getting overextended. It would also be difficult for some small producers to extend credit. (small brewer; wholesaler association,	66. COD is antiquated. It should be the decision of the retailer and the distributor about whether credit should be extended and whether an entity presents a good credit risk. No other product is required to be COD today, and the LCB doesn't	48. If the prohibition against extending credit is lifted, look at ways other states provide protection against bad credit. For example, in Texas, if a debt is not paid in 30 days, the Alcohol Control agency blacklists the entity.

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<p>independent wholesalers)</p> <p>44. COD ensures taxes are always collected. If credit is allowed and someone defaulted, the state would lose the tax revenue that was uncollected. (wholesalers association)</p> <p>45. It would cost distributors a lot of money if they were pressured to extend credit to their customers. Also would be more likely extended to bigger retailers and would be a disadvantage to smaller retailers. (wholesalers association)</p> <p>46. If credit is allowed, the cost of the product will actually increase because the producer will need to hire staff for accounts receivable, cover bad debts, etc. (WA brewers; WA wine producers [1 group]; independent wholesalers)</p> <p>47. Wholesalers should not be in the credit business – they may end up propping up a bad actor because they don't want to be the bad guy by reporting out-of-compliance retailers to the regulating entity. (wholesalers association; independent wholesaler)</p> <p>48. COD regulation is a safety net, and reduces overhead - no staff needed to track accounts receivable, no bad debt. (WA wine producers; independent wholesalers)</p> <p>49. Economic burden on small operators of allowing credit will result in less diversity</p>	<p>even adhere to this rule. (large retailers; specialty retailers; WA wine producers; WA breweries; on-premises licensees; independent wholesalers)</p> <p>67. COD regulations require that retailer must have substantial sums of money tied up in deposits with warehouses and manufacturers. (on-premises licensees)</p> <p>68. Wholesalers benefit from the continuation of the COD requirement. They receive cash, but are allowed to get their product on credit. (WA wine producers; specialty retailers)</p> <p>69. Credit would allow more small retailers to get into the business and promote more diversity. (specialty retailers; independent wholesalers)</p>	<p>(WA wine producers [1 group]; independent wholesalers)</p> <p>49. Allow ability to extend credit. (larger retailers; specialty retailers; most WA wine producers; on-premises licensees; WA brewer)</p> <p>50. If credit is allowed, put small maximum allowable timeframes, such as 7-15 days. (independent wholesalers)</p>
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in the marketplace because some will go out of business. However, if other cumbersome practices are lifted, may free up time to handle credit. (independent wholesalers)		
SPECIFIC REGULATIONS – Prohibition on Slotting Fees		
50. Prohibition on slotting fees (paying for retail shelf space) is necessary. If this were allowed, many smaller producers would not be able to compete for shelf space. Smaller producers could not “pay to play” and as a result larger producers would dominate the retail space. (WA wine producers, wholesalers association)		
SPECIFIC REGULATIONS – Allowing Self-Distribution		
<p>51. Legislature provided funding to implement the direct shipment bill, this funding will be used to establish a regulatory framework. (LCB)</p> <p>52. Self-distribution is a business strategy used by many small, start-up and established producers. (WA wine producers)</p> <p>53. The self-distribution bill was a carefully crafted compromise that corrected discriminatory and anticompetitive aspects of the system. It was a response to a Supreme Court decision and needs to remain in place beyond the sunset date. (CA wineries)</p>	<p>70. Requirements in the self-distribution bill passed in 2006 related to the use of common carriers render the statute ineffective. Producers can’t use common carriers, can’t drop at multiple locations without large fees, etc. (large retailers; WA wine producers; specialty retailers)</p> <p>71. Distributors act as quasi-regulators in the enforcement system. Self-distribution by out-of-state wineries may increase the cost to the state of enforcement and tax collection. Out-of-state shippers may not know or follow Washington law. (wholesalers association; independent wholesalers)</p>	<p>51. Should be allowed to ship with a common carrier from producer and either charge postage or don’t, but up to producer. (WA wine producers; large retailers; specialty retailers)</p> <p>52. Retailers should be able to distribute. Let the marketplace determine the most efficient distribution market. (on-premises licensees)</p> <p>53. Measures need to be put in place to determine the impact of self-distribution by out-of-state producers. (LCB)</p> <p>54. Foreign importers should be allowed to self-distribute. (specialty retailer)</p>

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<p>54. There are several ways to enforce out-of-state producers to comply with Washington's regulations even when the product is self-distributed. For example, federal statutes provide enforcement avenues through the ATF, the new statute requires the out-of-state entity to submit to local jurisdiction so they can be brought into court and the state can ask for reciprocal enforcement in the entity's home state. (CA wineries)</p> <p>55. Reporting and licensing requirements from both producers and retailers will provide a cross-reference to ensure tax revenue is identified and collected. (CA wineries)</p> <p>56. Out-of-state self-distribution will probably not be highly utilized by producers. Will probably be more useful to WA retailers who want the product or have special requests for it from customers. It will be an option to provide better customer service. (CA wineries)</p>	<p>72. Allowing out-of-state producers to self-distribute will impact the state's ability to carefully track and monitor sales and tax collection since this has traditionally been done by the distributor. (wholesalers association; independent wholesalers)</p> <p>73. Distributors provide a very efficient service for a highly regulated product, including tax collection. It is so efficient it seems that it is not necessary. (wholesalers association)</p> <p>74. Foreign importers were left out of 6823. They should also be allowed to self-distribute. (specialty retailers)</p> <p>75. Self-distribution of out-of-state products is the first step toward losing a system that emphasizes a local connection. Without a local distributor as the first point of entry for product, it is difficult to expect a local government agency to be able to enforce compliance by out-of-state bad actors. (other brewer)</p> <p>76. Out-of-state self-distribution is a good provision. It allows more variety of product for the consumer and avoids discrimination against non-Washington producers. (CA wineries)</p>	<p>55. Allow time to experience the new regulations (2SSB - 6823) and identify measures to determine if self-distribution and direct distribution has been successful, i.e., did customers get what they want? Has proper paperwork been filed?; Has revenue been appropriately collected? Has the licensing process served to control the flow? (CA wineries)</p> <p>56. Shifting the volume tax to be collected at retail level could eliminate the issue with having to collect taxes from out-of-state producers. (independent wholesalers)</p>
OTHER REGULATIONS		
	<p>77. The state sees returning damaged or spoiled goods as a consignment issue (which is prohibited by federal law.) But</p>	<p>57. Allow the return of damaged or spoiled goods within reasonable timeframes. (large retailers; independent</p>

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	<p>a retailer should be able to return damaged or spoiled goods to the wholesaler with a reasonable period of time (say 8 days.). (large retailers; independent wholesalers)</p> <p>78. The regulation of the producer/distributor relationship is uneven. A producer cannot simply move his or her business to another distributor if unhappy with the service. There is a significant process that must be followed. However a distributor can drop a manufacturer, or sell the manufacturer's brand to another distributor, at will. (WA brewers)</p>	<p>wholesalers)</p> <p>58. Rules should allow transferring product between locations. (large retailers)</p> <p>59. Retailers should be allowed to return product they cannot sell. (independent wholesalers)</p>
GENERAL		
<p>57. There has not been a public outcry about the rules being too harsh or alcohol being too expensive. The demand for change seems to be driven by monetary interests in the industry. (LCB; wholesalers association)</p> <p>58. The system produces a wide selection of products, healthy business and innovation by providing a level playing field for small, medium and large producers and retailers. (wholesalers association)</p> <p>59. Changing the system will not mean chaos – the state will still have a role in regulating the distribution and sale. (specialty retailer)</p> <p>60. The LCB has been a good partner in</p>	<p>79. The LCB has not seemed to be open to changes. The board and staff are entrenched in their position when concerns are raised. (large retailer)</p> <p>80. The state lacks metrics to measure the impacts of the system, and the LCB lacks funding/capacity to develop them. (LCB)</p> <p>81. The current method of funding the LCB (appropriated, vs. non-appropriated) is an inhibitor to the current system. (LCB)</p> <p>82. The board adopts a wide array of policies that do not go through a formal rule making process. These need to be more transparent, and given broader viewing before they are adopted. (on-premises licensees)</p>	<p>60. Develop metrics to measure the impact of the system and system changes. (LCB; specialty retailers; prevention/treatment)</p> <p>61. Considerations for change must include how changes may interact with each other and try to avoid unintended consequences. (WA wine producers; wholesalers association)</p> <p>62. Policy changes should be done one by one, and measured to determine their impact individually and in combination. (WA brewer)</p> <p>63. The LCB should study and use the research related to the environmental factors associated with alcohol. (prevention / treatment)</p>

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<p>addressing prevention and treatment issues through its education and training activities. (prevention / treatment)</p> <p>61. The LCB's audit system is good. (WA wine producers)</p> <p>62. The LCB's training for servers and convenience store staff are well done, but the training is insufficient. The LCB's education staff is a welcome addition. (prevention/treatment)</p> <p>63. Washington is unique in that it has a whole functioning system in place. The challenge is to keep it from becoming bureaucratic, rigid and too rooted in the past. (out-of-state brewer)</p> <p>64. The licensing and regulatory system allows the state to know who is bringing product into the state and how it moves around. Technology allows this to be accomplished more efficiently and to adapt to today's environment. There is no problem with this. Concerns arise around trade practices within the industry. (WA wineries)</p> <p>65. The full-time LCB position for education and outreach is very positive. (prevention/treatment)</p>	<p>64. Measuring the effect of one policy or regulation by itself may not reveal a strong correlation between the policy and the intended outcome. It is important to take a multi-pronged approach and measure the effects of the system of policies. (prevention/treatment)</p> <p>65. The state has recently adopted two major changes to the system (self-distribution and direct sales to customers). The focus should be on making these effective rather than expanding the list of changes. (CA wineries)</p> <p>66. Gallonage tax should be imposed at the point that wine is sold – the end user. (independent wholesalers)</p>
STATE POLICY GOALS	
<p>66. If the existing protections go away, there will be a shift from small, diverse producer and retail industries to large producers and retailers. The state will</p>	<p>83. Many of the rules no longer support the current value set (policy goals) of the state. (specialty retailer)</p> <p>67. Confirm or revise the value set (policy goals) that the state is trying to accomplish, and develop the rules accordingly. Confirm again what the</p>

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<p>lose both businesses (small producers and retailers) and diversity of product. (specialty retailer)</p> <p>67. The current system helps the LCB meet its responsibility for tax collection and uniform pricing. (LCB)</p> <p>68. The LCB and the state's regulatory system help support efforts to address chronic public intoxication. (prevention/treatment)</p> <p>69. The LCB's mission statement says its' mission is to prohibit access to minors and to prohibit over-consumption. These are appropriate roles for the state to pursue. (on-premises licensees)</p> <p>70. Orderly market is an important goal. It is the opposite of unregulated, laissez-faire market. Have to have order to guard against abuse and to efficiently collect taxes. The orderly market concept is a compendium of all the regulations that link to misuse and tax collection. (wholesalers association)</p>	<p>84. State actions are sometimes at odds with state policy goals. For example, the state regulatory system is designed to promote moderation and discourage alcohol abuse. The LCB has touted itself as the "guardians of temperance." However, the LCB has aggressive plans to market wines, the legislature promotes the wine industry in a variety of ways and the LCB often sells wine cheaper than other private retailers. (specialty retailers)</p> <p>85. The court says (and no one really disagrees) current system is anticompetitive. (LCB)</p> <p>86. Temperance or the societal relationship to alcohol is a result of societal attitudes and those should be addressed at home. It is paternalistic to think the state should be regulating moderation. (large retailers; WA brewer)</p> <p>87. Supporting diversity of products, supporting local employment and businesses and supporting small producers and retailers should be an explicit mission of the LCB. (WA wine producers; WA brewers; specialty retailers; wholesalers association)</p> <p>88. There is a natural conflict when a regulator is also in the business. Although the LCB does a good job of balancing both, need to consider if it should be in both businesses.</p>	<p>state is trying to protect against, and if the same influences exist today. (WA wine producers; large retailers; specialty retailers; legislator)</p> <p>68. Redirect regulatory focus to control and policies that directly impact public safety rather than trade practices. (WA wine producers; on-premises licensees; specialty retailers)</p> <p>69. The discussion must center on the state's values. What does the state value? Maintaining diversity in both products and business types? Not increasing alcohol consumption? (specialty retailer)</p> <p>70. The state's policy goals should focus on regulating to reduce underage drinking and to reduce over-consumption, and should not include "leveling the playing field." The state should not be regulating the economics of the industry except to the extent that it affects safety. (on-premises licensees; specialty retailers; large retailers)</p> <p>71. Err on the side of less regulation. Activity should be allowed unless it is explicitly prohibited. (WA wine producers; on-site premise licensees; specialty retailers)</p> <p>72. The state's goals / priorities should specifically address keeping kids safe,</p>
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	<p style="text-align: center;">\</p> <p>(prevention/treatment member)</p> <p>89. The board is in a difficult position as both a regulator and enforcement agency. This opens the door to bias (both good and bad). If a licensee has worked closely with the LCB during the licensing process, the staff has formed an opinion of the licensee and that opinion may color how they will treat that licensee in an enforcement situation. (WA brewer)</p>	<p>and all actions related to the regulation of alcohol should be filtered through that goal. (prevention/treatment)</p> <p>73. The LCB's authorizing statute should clearly state it's mission. Right now it is focused exclusively on the police power. This needs to be more balanced. (WA wine producer)</p> <p>74. Consider making changes with expiration dates or sunset clauses and requires the Joint Legislative Audit and Review Committee (JLARC) to conduct a review of the impact of any changes made at a predetermined point in the future. (consumer)</p>
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Potential Criteria for Future Rules

1. The rules should support the policy goals of the state, not special interest groups (should focus on public benefit not protecting market share of any business involved.)
2. Use rules to prohibit undesirable practices that are *known (not thought)* to cause undesirable outcomes (harm to the public interest), not to constrain the market
3. Controls should be structured to achieve goals with the least business restrictions
4. Focus rules on public safety rather than trade practices
5. Consider public safety, particularly impacts on youth
6. Consider the impact on consumer choice and demand
7. Equitable among tiers
8. Practical
9. Enforceable
10. Less restrictive (only restrict as legitimately pertains to misuse or tax collection)
11. Don't need to promote, but don't work against the industry
12. Identify the intent
13. Do not circumvent the intent of one regulation with another, or within the regulation
14. Simple / User friendly
15. Easy to understand (plain English)
16. Reduce paperwork; simplified and automated reporting
17. Don't assume irresponsible behavior is the goal of the industry
18. Consider whether the state regulation needs to be more restrictive than the federal rule – don't automatically make it more restrictive
19. Flexible enough to more easily accommodate continued change; don't pin down business practices
20. Must support accountability
21. Potential for corruption must be addressed
22. Should not allow requirements that have discriminatory effect on out-of-state businesses

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Other comments

1. LCB's interpretation of rules seems to be getting more restrictive. Practices that were okay at one time, are now bad. Although the legislature seems to be supporting the industry through their changes and financial support, the LCB has a contrary agenda of constricting business practices and working against the industry.
2. California rules are a mess too. Ultimately less restrictive, but they have modified rules and made exceptions over time, layering rules. It's why we need to start over rather than try to revise.
3. Current environment has changed.
 - a. More sophisticated consumers, very competitive markets at every tier – way too competitive for organized crime. Consumers would not settle for less than very broad choice. WA wine only accounts for 20% of Washington wine sales. That tells us consumers want more choice than we can even give them with WA wines. Wine is one of the most competitive commodities in a grocery store – literally thousands of brands. What other product is that diverse?
 - b. More orderly. The laws are complex, but the basics are generally followed and enforced (i.e., not selling to minors). Laws were either not in place or not followed before 1933. There doesn't seem to be "rogues" in any tier – people intent on circumventing the major rules that protect the public interest. Doesn't mean all laws should go away, just simplified. Where there are proven problems, address with special rules (like high use/impact zones). Society has evolved. All of the arcane laws are no longer necessary.
 - c. New economy. It's more than just production and retail, it involves tourism and new models such as tasting rooms. New ways of doing business that the current (old) rules didn't envision.
4. Current environment has changed, but youth are still very vulnerable.
5. Big difference between beer and wine distributors. Large beer producers have more influence over beer distributors.
6. Washington is on the cutting edge, so it's hard to compare to other states – even other wine-producing states.
7. Concerned about the laissez-faire attitude that there is no evil out there anymore related to alcohol. If too many rules are taken away, Washington may experience some bad consequences. There is still a potential for corruption.
8. Changing laws can change norms over time. Strong enforcement of laws also sends societal signals to the population about what society will and will not accept.

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States that may be good for research:

- OR and MT seem to have better price posting.
- OR, ID, IL allows in-store (grocery) wine tasting.
- OR allows for central warehousing of wine.
- NE, Delaware, Colorado have removed price posting.
- The tobacco industry has a good approach to recording taxation.
- OR is overtly supportive of the brewing industry – its charter specifically directs the agency to give attention to small producers.
- TX stores often focus on a single manufacturer's brands; also require blacklist of retailers who don't pay on deadlines.
- AK has quantity discounts.
- WY, NH have allowed self-distribution for some time.
- CA generally has less restrictive practices. Offers credit.
- MN and CO seem to be similar to Washington for comparative purposes. Not NH or UT which are outside the norm due to strong promotion of spirits for tax revenue (NH) and very conservative population (UT)

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Interviews represented in this document and number attending

GROUPS

Liquor Control Board members, administrative director and key staff (9)

WA brewers – small and large (4)

WA wine producers – small and large (11)

Washington Beer & Wine Wholesalers Association (22)

Independent wholesalers (9)

Sports and entertainment facilities (8)

Large retailers (WFI and independents) (9)

Specialty retailers (8)

On-premises licensees (5)

Prevention / treatment (4)

TASK FORCE MEMBERS

Legislators (3)

Large retailer (2)

WA wine producer (1)

WA brewer (1)

Out-of-state wineries (1 TF member and one additional)

Out-of-state beer manufacturer (1)

Specialty retailer (1)

Prevention/treatment – local law enforcement (2)

Prevention/treatment - local government (1)

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Washington Beer & Wine Wholesalers association (1)

Prevention / treatment - Governor's Office (1)

Prevention / treatment – community organization (1)

Consumer (1)

On-premises retailer (1)

LCB (1)

OTHER INDIVIDUAL INTERVIEWS:

Legislative staff (1)

Washington Wine Commission (1)

Legislator/specialty retailer (1)